

## Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-08  
NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03  
H-02 CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04  
OPIC-06 LAB-04 SIL-01 PA-02 PRS-01 IGA-02 /115 W  
-----262018Z 124820 /41

R 261320Z APR 77  
FM AMEMBASSY BERN  
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INFO AMEMBASSY BONN  
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USMISSION GENEVA  
USDEL MTN GENEVA  
AMEMBASSY LONDON  
AMEMBASSY PARIS  
USMISSION OECD PARIS  
AMEMBASSY ROME  
AMEMBASSY VIENNA  
AMCONSUL ZURICH

UNCLAS BERN 1783

VIENNA FOR ELLIS

PASS TREASURY AND FRB

EO 11652: NA  
TAGS: EFIN SZ  
SUBJ: SWISS FINANCIAL REPORT: A WEEK APR 17-23

1. SUMMARY: DOLLAR RATE AGAINST SWISS FRANC  
CLOSED AT SF 2.52 AFTER REPORT OF IMPROVED US  
ECONOMIC PERFORMANCE. GOLD PRICE FELL BELOW  
150 DESPITE IMPROVED DEMAND. FEDERAL COUNCIL  
LIFTED FOREIGN BANKNOTE IMPORT RESTRICTION.  
CAPITAL MARKET IN LULL AS INVESTORS HOPE FOR  
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HIGHER INTEREST RATES. MORE SUPPORT ANNOUNCED  
FOR FEDERAL FINANCIAL PACKAGE. PRESS IS  
FOLLOWING CREDIT SUISSE CHIASSO LOSSES.

2. FOREIGN EXCHANGE AND GOLD: MARKET WAS  
RELATIVELY QUIET. DOLLAR RATE AGAINST SWISS  
FRANC FLUCTUATED AROUND SF 2.51 IN FIRST HALF OF

WEEK BUT CLOSED AT SF 2.52 AFTER REPORT OF IMPROVED FIRST QTR US GNP GROWTH RATE AND ANNOUNCEMENT OF US ENERGY PROGRAM. GOLD PRICE FELL BELOW 150 AT MIDWEEK (147 ON THURSDAY) DUE TO CONCLUSION OF ATEST IMF SALES INCREASING SUPPLY, THOUGH US INDUSTRIAL DEMAND REPORTEDLY INCREASED. SWISS BELIEVE US ANTI-INFLATION PROGRAM MAY DAMPEN GOLD DEMAND BUT EXPECT 150 TO REMAIN CENTRAL LEVEL OF FUTURE PRICE RANGE BARRING UNFORESEEN DEVELOPMENTS. RATES FOLLOW:

	4/18 (OPEN)	4/22 (CLOSE)
SPOT DOLLAR		
FORWARD DISCOUNTS		
1 MONTH	3.39	2.10
2 MONTHS	3.13	2.57
3 MONTHS	2.95	2.43
6 MONTHS	2.74	2.18
12 MONTHS	2.92	2.55
SF/DM	106.24	106.24
GOLD	151	149.5

3. FOREIGN EXCHANGE IMPORTS RULE CHANGED:  
SWISS FEDERAL COUNCIL REPEALED ITS ORDINANCE OF APR 1976 LIMITING IMPORTATION OF FOREIGN BANKNOTES TO EQUIVALENT OF SF 20,000 PER PERSON PER QTR. FEDERAL COUNCIL NOTED THAT RETURN OF INTERNATIONAL MONETARY STABILITY AND RECENT DIMINISHED INFLUX OF FOREIGN CAPITAL MADE RULE UNCLASSIFIED

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UNNECESSARY, BUT RESERVES ITS POSITION REESTABLISH IT IF NECESSARY.

4. CAPITAL AND MONEY MARKET: MARKETS WERE CALM. CALL MONEY RATE ROSE TO 2 PCT UNDER PRESSURE FROM BANKS' APPROACHING MONTH-END REQUIREMENTS. STOCK PRICES ROSE; SKA INDEX (1959 EQUALS 100) HIT NEW HIGH OF 230 THURSDAY AND CLOSED 229.1. AVERAGE YIELD CONFEDERATION BONDS REMAINED 3.93. AVERAGE CAPITAL MARKET BORROWING RATE SLIPPED FROM 4.72 TO 4.67 DURING FIRST HALF OF APR. INVESTORS APPEAR TO HAVE BEGUN HOLDING BACK ON PLACING FUNDS AT PRESENT LOW LONG TERM RATES OUT OF BELIEF THAT RECENT UPWARD PRESSURE ON SHORT TERM RATES WILL AFFECT LONGER TERM RATES. BORROWERS MAY BE CONSTRAINED TO SHORTEN LOAN TERMS IF THEY WILL NOT RAISE RATES BELOW CURRENT LOW LEVELS. JUN 12 VOTE ON VALUE ADDED TAX IS SAID TO BE ADDITIONAL FACTOR. INVESTORS EXPECT INFLATIONARY IMPACT

FROM VAT (IF APPROVED) OR UPWARD PRESSURE ON  
INTEREST RATES FROM INCREASED GOVT BORROWING  
(IF VAT DEFEATED) WILL ENHANCE INVESTMENT  
OPPORTUNITIES. HOWEVER, UNION BANK OF SWITZERLAND  
REPORTED THAT US ANTI-INFLATION PROGRAM WILL KEEP  
INTEREST RATES FROM RISING APPRECIABLY OVER NEAR TERM.

5. FISCAL AND TAX REFORM: CHRISTIAN DEMOCRAT  
PARTY AND VORORT (UNION OF INDUSTRY AND TRADE)  
ANNOUNCED THEIR SUPPORT OF GOVT'S FINANCIAL  
AND TAX PACKAGE. RECENT PRESS ARTICLES ARGUED  
IN FAVOR OF VALUE ADDED TAX RATHER THAN INCREASE  
OF EXISTING TAXES TO AVOID PLACING UNFAIR BURDEN  
ON SMALL BUSINESSES.

6. CREDIT SUISSE LOSSES IN CHIASSO: PRESS  
CONTINUED COMMENT ON LOSSES BY CREDIT SUISSE  
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CHIASSO BRANCH, NOW SAID TO HAVE BEEN ON ACCOUNT  
OF A LIECHTENSTEIN HOLDING COMPANY. PRESS SAID  
THAT HUGE LOSSES BY MAJOR BANK SERIOUSLY AFFECTS  
SWISS BANK REPUTATION. CREDIT SUISSE HAS  
ASSURED BANKING COMMISSION IT TOOK IMMEDIATE AND  
EFFECTIVE MEASURES TO SAFEGUARD DEPOSITORS BUT  
ALSO ACKNOWLEDGED THAT INTERNAL SPOT CHECKS  
CANNOT PREVENT EVERY SUCH CASE. DAVIS

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## Message Attributes

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**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
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22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009